

Attachment II

The Weighted Average Approach to Revising Levels of Negotiated Performance

Overview

The weighted average approach views the state negotiated levels of performance as aggregate levels of local workforce investment board (WIB) negotiated performance and statewide project performance goals. Similarly, local WIB negotiated levels of performance should be viewed as aggregate levels of project and/or target group performance goals.

Under the weighted average approach, the overall state negotiated level of performance on a measure is disaggregated into expected levels of performance for one or more affected target groups and for the balance of exiters included in the calculation of performance on the measure. Agreed-upon revised levels of performance are then applied to each target group and the results are then aggregated to derive a revised state negotiated level of performance.

In some situations, the unanticipated circumstance may equally impact the expected outcomes of all exiters included in the calculation of performance on a measure. In these situations, the weighted average approach should not be used to derive revised performance levels. Instead, ETA Regional Office and designated state staff should reach agreement on a level for all exiters included in the calculation of performance on a specific measure.

Defining a Special Population Group for Use in the Formula

A "special population group" may be categorized in a number of ways, including: 1) participants affected by significant changes in economic conditions; 2) the demographic characteristics of participants; and 3) the type of services provided to participants. For the purposes of this paper, a special population group is a collection of individuals whose outcomes on a measure are expected to be uniquely impacted by an unanticipated circumstance that results in a change in one or more of the factors considered in reaching agreement on the state negotiated levels of performance. If more than one special population group is identified as being affected by the unanticipated circumstance, it is important to ensure these groups are mutually exclusive.

Negotiating Appropriate Performance Expectations

Both the ETA Regional Office and designated state staff should reach agreement on an expectation for each special population group and the balance of exiters identified for a specific performance measure. Negotiating revised levels of performance is discussed on pages 7, 8 and 9 of this guidance. The expectation may be derived from state experience with similar unanticipated circumstances or suggested by special research studies.

The Formula

The weighted average is calculated by multiplying the agreed-upon performance level for each group by the number of expected exiters in each group, totaling these results, and then dividing this result by the total number of expected participants exiting services in the state.

$$\frac{((SGE1*SGP1)+(SGE2*SGP2)+(SGE3*SGP3)+((TE-SGE1-SGE2-SGE3)*(TP)))}{(TE)} = RP$$

Where...

SGE(1,2 or 3)¹ is the number of estimated exiters in the special population group.

SGP(1,2, or 3)¹ is the negotiated performance level for exiters in the special population group.

TE is the total number of estimated exiters in the state.

TP is the negotiated level of performance level for all exiters not included in the special population groups. In most situations, this value is the same as the original state negotiated level of performance for the measure.

RP is the revised negotiated level of performance for the measure.

¹Additional special target groups may be included in the formula as needed to accurately reflect the impact of an unanticipated circumstance.

Example Application of the Weighted Average Method

Note: *The following example was created to illustrate how a state request for a revised performance level might be developed for submission to the Secretary. For the sake of simplicity, the following example request is for a proposed revision to one measure for a single program year impacted by an unanticipated circumstance. It is quite likely, however, several measures covering multiple program years would be impacted by the unanticipated circumstance.*

The Governor made a request to the Secretary to revise the state negotiated performance level for the dislocated worker entered employment rate measure for program year 2001. The Governor requested that the level be revised from the PY 2001 negotiated level of 77% to 72.4% to account for the loss of job openings and the increased number of unemployed in selected communities of the state that resulted from the closure of one of the state's largest employers (Condition 1). The employer ceased operation on August 15, 2001.

The state request indicated that there are 1,300 dislocated workers included in the calculation of the PY 2001 dislocated worker entered employment rate, with 350 of the 1,300 dislocated worker program exiters impacted by the closure. The 350 dislocated worker participants resided in the impacted communities and exited services during the first quarter of PY 2001. The unemployment rate for the impacted communities rose from an average of 5.2% for the nine months before the closure to 9.7% for the three months after the closure of the employer (Condition 2). The state contacted a representative sample of public (non-WIA) and private placement and temporary staffing agencies serving the impacted communities and found the average placement rates for these agencies dropped 18% from 78% during the first quarter of PY 2000 to 60% during the first quarter of PY 2001 (Condition 3).

The state used the weighted average approach to determine a revised level for its dislocated worker entered employment rate. The target group used in the state's computation is *dislocated worker participants from communities expected to be impacted by the plant closings*. Based on the state's review of the impact of the closure on both public and private employment agencies, the state set a goal of 60% (the average rate reported by employment agencies) for the estimated 350 exiters in the target group. The goal for the remaining 950 dislocated worker exiters included in the calculation was 77% (or the original state negotiated level of performance).

To compute the revised level for the state overall, the state used

the weighted average method to address the estimated impact of the target group on PY 2001 performance on the dislocated worker entered employment rate measure. The following scaled-down formula to compute this revised level was used to determine the proposed revised performance level requested by the state.

$$\frac{((SGE*SGP)+((TE-SGE)*(TP)))}{(TE)} = RP$$

Where...

SGE = 350 (the number of estimated exiters in the special population group)

SGP = 60% (the negotiated performance level for exiters in the special population group)

TE = 1,300 (or the sum of 350 and 950 - the total number of estimated exiters in the state)

TP = 77% (the original state negotiated level of performance level for the measure)

Applying the above values in the formula, **RP** - the revised negotiated level of performance for the measure - equals **72.4%**, the level proposed in the state's request.

$$((350*0.60)+((1,300-350)*(0.77))) / (1,300) = RP$$

$$((210)+(731.5)) / (1,300) = 0.724 \text{ or } 72.4\%$$

Using the results of the weighted average formula, the Governor requested the level be revised from the current negotiated level of 77% for PY 2001 to 72.4% to account for the loss of job openings and the increased number of unemployed in selected communities of the state that resulted from the closure of one of the state's largest employers.